EXHIBIT 1

EXHIBIT 1A

Subject: TELEGLOBE PROPOSAL (REVISED)
Date: Mon, 21 Jan 2002 13:48:48 -0500
From: "LALANDE, MICHEL" <michel.lalande@bell.ca>
Organization: Bell Canada Enterprises
To: Boychuk <michael.boychuk@bell.ca>, Barry Pickford <barry.pickford@bell.ca>, Pierre Van Gheluwe <pierre.van_gheluwe@bell.ca>, Alex Bearzatto <alex.bearzatto@bell.ca>, Rise Norman <r_norman@stblaw.com>, Frank Huck <fhuck@stblaw.com>, G Attorri <gattorri@exchange.ml.com>, C Simon <csimon@exchange.ml.com>, Erik Charbonneau <erik_charbonneau@ml.com>, Thomas Espiard <thomas_espiard@ca.ml.com>, Pierre-Andre Themens <pathemens@dwpv.com>
CC: Turcotte <martine.turcotte@bell.ca>

Further to our meeting of Friday PM, please find attached a revised memo which basically:

1. Combines pre/post December 31 advances for purposes of plan;

2. Adds as an additional alternative the sale of assets to BCE/Bell (while the idea of selling some assets to BCE/Bell works as a mean of financing Teleglobe, the purchase price cannot be secured i.e. it is not indebtedness);

3. Clarifies that funds funnelled to Teleglobe through the Loss Monetization Plan cannot be secured;

4. Adds a new Risk Analysis section.

I'm sorry I did not activate the track changes feature when making the changes over the week-end and therefore no blacklined copy is available.

Initial discussions with Canadian counsel (Davies Ward Phillips & Vineberg) confirm our position on the Canadian Indentures.

Regards,

Michel

--
Michel Lalande
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Memo Teleglobe Financing (v.2).doc	**Name:** Memo Teleglobe Financing (v.2).doc **Type:** Microsoft Word Document (application/msword) **Encoding:** base64

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11:00 → 11:30
Tuesday

add next step -

MEMORANDUM

Discussed
Jan. 18, 2002

TO: File

London: SSB
Thompson

FROM: Michel Lalande

DATE: January 17, 2002 [DRAFT]

SUBJECT: Proposal for Teleglobe Inc. Financing

12 Month → Bankruptcy

A. FACTS

1. Attached herewith are the following schedules:

(i) Schedule A: Ownership Structure;
(ii) Schedule B: Corporate Structure;
(iii) Schedule C: Capital Structure;
(iv) Schedule D: Brief Historical Review; and
(v) Schedule F: Proposed Loss Monetization Structure.

2. BCE owns directly and indirectly 95.4% of the common shares of Teleglobe, 77% of which were acquired on November 1, 2000 in a share exchange acquisition, the balance having been acquired by Bell Canada from the date of the privatisation of Teleglobe in 1987. SBC Communications Inc. owns 4.6% of Teleglobe's common shares through its 20% interest in Bell Canada. BCE also owns 100% of Teleglobe's Fourth Series Preferred Shares, purchased for an aggregate consideration of US$1 billion from June 2000 to December 2001 (as was agreed with Teleglobe's lenders in 2000 & 2001) (See Schedules A & C for details).

3. As of December 31, 2001, BCE had also advanced US$270 million to Teleglobe.

4. It is currently anticipated that BCE will have to advance an additional US$460 million to Teleglobe in 2002, including the repayment of CDN$125 million of CDN Debenture, and US$350 million in 2003, including the repayment of CDN$125 million of CDN Debenture.

5. Teleglobe's outstanding debt is as follows (excluding BCE debt and Teleglobe Marine (U.S.) non-recourse debt – see Schedule C for details):

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Credit Facilities	Facility A Facility B Morgan Stanley Facility	US$500 million US$750 million US$25 million	Due July 22, 2002 Due July 22, 2002 Due July 22, 2002
US Debentures	7.20% 7.70%	US$600 million US$400 million	Due July 20, 2009 (put July 20, 2005) Due July 20, 2029 (put July 20, 2011)
CDN Debentures	8.85% 8.35% 8.00%	CDN$125 million CDN$125 million CDN$100 million	Due November 15, 2002 Due June 20, 1993 Due October 23, 2026

6. BCE has no commitment to provide funding to Teleglobe. However, BCE has indicated publicly that it would support Teleglobe's business plan while contracting capital expenditures and expenses.

7. Teleglobe has currently no access to the capital or debt markets on a stand-alone basis and relies entirely on BCE to fund its capital expenditures and negative operating cash flows.

8. Teleglobe's current equity value is negative.

9. Based on BCE's support, Teleglobe is currently rated BBB+ by S&P's with stable outlook and Baa1 by Moody's with negative outlook (under review).

B. **OBJECTIVES**

1. Provide protection and minimize BCE's investments in Teleglobe.
2. Provide liquidity to Teleglobe.
3. Implement viable capital structure for Teleglobe.
4. Maintain control of Teleglobe.
5. Maintain bank relationships.
6. Enhance BCE's shareholders' value.
7. Protect BCE's credit ratings.

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C. PROPOSED PLAN

(i) **Secure 2001 US$270M BCE's Advances by February 15**

- Identify and establish process to monitor assets purchased under Teleglobe's capex program since July 1, 2001 by January 25. ✓
- Identify assets to be secured by January 31 (including US$220 million FLAG investment).
- Obtain legal (internal and external), tax and accounting (for 2001 booking) clearance on structure by January 31 (see legal analysis below).
- Determine whether Board approval is required by January 31
- Prepare all documentation and execute by February 15 (effective December 31, 2001).

(ii) **Develop and Implement Plan to Secure 2002 US$460M BCE's Advances by February 15**

- Determine most senior position at which advances can be invested and maximum baskets and develop plan to secure such advances by January 31 (see legal analysis below).
- Obtain legal (internal and external), tax and accounting clearance on structure by January 31 (see legal analysis below).
- Determine whether Board approval is required by January 31.
- Prepare all documentation and execute by February 15.

(iii) **Implement Loss Monetization Plan by March 1 (see Schedule F for Structure)** Security

- Obtain legal, tax, accounting clearance on structure by January 31 (including external legal opinion re: protection of principal and interest on BCH notes from creditors) (see legal analysis below).
- Prepare and file tax ruling application by February 15.
- Obtain Board approval on February 27.
- Prepare all documentation and execute by March 1.

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(iv) **Revise Teleglobe Business Plan (January – February)**

- With aim to FCF positive in [2003].

(v) **Develop New Message to Street/Stakeholders by February 15**

- BCE will continue to support Teleglobe, but not at ~~any cost~~
- Demonstrates BCE's financial prudence and recognizes concerns of analyst community.

Deliver to Banks → seek support slowing assets that won't be available in July.

(vi) **Disclose Plan to Stakeholders by February 26**

→ Together with new plan.

(vii) **Discuss Plan with Rating Agencies by February 26**

→ we're "asked" by the banks
→ we're protecting you by keeping the lenders in place

(viii) **Negotiate and Execute 4-Year Rollover of Credit Facilities with Amortization Schedule (January – July)**

- Seek 4-year extension of entire Credit Facilities with mandatory repayment of US$250 million in each of 2003, 2004 and 2005 (leaving US$500 million balance upon term).

(ix) **Develop and Implement Strategy Regarding Bondholders (January – November)**

(x) **Develop and Implement Strategy to Attract Potential Partners (January – November)**

D. **LEGAL ANALYSIS**

(i) **Securing the 2001 US$270M BCE Advances**

1. Structure:

- Effective December 31, 2001, and using the carve-outs reviewed below, BCE obtains a lien on certain fixed assets purchased by Teleglobe since July 1, 2001 to secure outstanding advances in the amount US$270 million (with priority to be given to assets (i) purchased or constructed earlier – for optimal use of 180-day

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Indentures "basket" for 2002 investments – and, (ii) which could be easily integrated within Bell Canada). It is anticipated that the FLAG cable system assets purchased for an amount of US$220 million would constitute the principal assets to be secured.

- In order to comply with the Transactions with Affiliates covenant of the Credit Facilities (s. 8.14), the loan would be structured upon fair and reasonable terms not materially less favourable than Teleglobe could obtain in an arm's length transaction (i.e. vendor financing of similar assets).

- Upon the rollover of the Credit Facilities, and if necessary, BCE could grant a limited recourse guarantee to the banks in the form of a security interest in the liens granted by Teleglobe – i.e. equivalent to a receivable assignment (the assignment of the liens to the banks would not be recommended as BCE would then be unable to obtain a second lien on the same assets using the same Indenture carve-outs and the general baskets could at that time not be sufficient).

Indicate what the money is used for.

2. Financial Instruments Carve-Outs Used:

- The US Indenture allows liens on any property acquired or constructed by Teleglobe or any subsidiary that are created or assumed contemporaneously with or within 180 days after such acquisition or construction to secure any debt incurred by Teleglobe or a subsidiary for the purpose of financing all or part of the purchase price or cost of construction thereof or of improvements thereon (s. 1009(2)).

- The CDN Indentures have a similar but slightly different provision (s. 10.6 – Permitted Encumbrance): Security granted to secure indebtedness incurred solely for the purpose of financing the acquisition, construction or improvement of property acquired by Teleglobe or any subsidiary, provided that the Security is limited to substantially the property acquired, constructed or improved and was granted contemporaneously with the acquisition, construction or improvements or within 180 days after the completion thereof.

- The Credit Facilities do not have a capex carve-out similar to those of the Indentures so the lien would have to be granted relying on the general basket of 10% of the book value of consolidated assets determined on basis of Current Financials (i.e. - last financials delivered to lenders – US GAAP). As of December 31, 2001 (using the Q3 financials as the Current Financials, such basket would have been equal to US$707.1 million (s. 8.12(e) & 8.13(a)). Please note that this carve-out cannot be used if Teleglobe is in Default or Potential Default under the Credit Facilities.

3. Other Considerations:

- Nothing contractually obligates Teleglobe to notify the debentureholders (or the bankers) of the granting of the security. However, a general principal of securities laws provides that any material information deemed relevant to securityholders must be timely disclosed (given this information would be deemed to be material by debentureholders, timely disclosure would be required).

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- While the US Indenture allows Teleglobe to permit any subsidiary that is not a "Significant Subsidiary" to create any lien upon any of its assets, the CDN Indentures do not.

- The foregoing BCE debt (because deemed to be a Purchase Money Obligation) would not be deemed to be Funded Debt for the purpose of the Limitation on Issue of Funded Debt covenant of the CDN Indentures (s. 10.7).

Questions/Issues for ST&B:

- *Can we execute on February 15, 2002, effective December 31, 2001?* NO

- *Do we need to actually be able to tag each $ provided to Teleglobe with the assets upon which BCE will obtain a lien to benefit from the Indentures carve-outs (the US$270 million was transferred to Teleglobe during the latter part of the year, with the previous US$1 billion converted to preferred shares)?*

- *Would the issuance of a press release be required to comply with Teleglobe's timely disclosure obligations to the debentureholders (no equity market)?* yes. press release. 6-K. Material change report

- *In every instance, please assess litigation exposure from US bondholders.*

(ii) Loss Monetization Plan

- Nothing in the financial instruments prohibits the implementation of the Loss Monetization Plan. [TO BE REVIEWED]

(iii) Securing the 2002 US$460M BCE Advances

1. Structure:

- Effective January 1, 2002, BCE and Teleglobe enter into a loan and security agreement, which provides for the general framework under which advances will be made and secured during the course of 2002:

    - Initially, and until such time as no more fixed assets would be available – using the 180-day window provision and oldest assets first (but subject to the Credit Facilities basket), the mechanics would be the same as for the 2001 Advances. Liens would be created on an as-you-go basis by adding the advances and description of the new assets subject to such liens in a Schedule to the agreement (subject to a confirmation by legal that such liens can be granted at all relevant time).

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- To the extent assets would no longer be available to benefit from the Indentures capex carve-outs, the general basket provisions of each of the Indentures and the Credit Facilities would then be used to create liens:

  - Credit Facilities: 10% of book value of consolidated assets determined on basis of Current Financials, being US$437.1 million as of January 1, 2002 (being US$707.1 million minus US$270 million used for 2001) – subject to no Default or Potential Default (YE 2001 financials must be provided as soon as available but no later than April 30);

  - US Indenture: 15% of Consolidated Net Tangible Assets determined on basis of most recent balance sheet (US GAAP – not to be more than 150 days old), being US$~~100~~ 112 million based on 2001 Q3 financials (s. 1009(12));

  - CDN Indentures: 5% of Shareholder's Equity determined ~~on basis of most~~ recent audited balance sheet (Canadian GAAP), being US$277.7 million based on 2000 YE financials (YE 2001 financials must ~~be provided~~ as soon as available but no later than April 30) (s. 10.6). To the extent this carve-out would be used, the loan would have to be structured to mature at the latest 18 months after issuance in order to avoid the Limitation on Issue of Funded Debt covenant (s. 10.7).

2. Limits

- In the best of circumstances, without obtaining any waivers from the banks to that effect and presuming assets would be available to take benefit of the Indentures capex carve-outs, a maximum of US$437.1 million could be secured in 2002 (Credit Facilities limit) – which would be sufficient to cover all projected 2002 investments presuming CDN$150 million is received by Teleglobe in 2002 through the Loss Monetization Plan. However, this limit could be eroded by any reduction in the book value of Teleglobe's assets.

- Furthermore, without waivers from the banks, Teleglobe would no longer be able to create any liens or issue any secured debt upon the occurrence of a Default or Potential Default. A Potential Default would occur, for example, at such time as Teleglobe would have:

  - Finally determined that an asset write-off ~~assets~~ would occur;

  - Finally determined the amount or range of such write-off; and

  - Based on such determination, upon taking the effective write-off, the Financial Covenant would not be met.

- Need to determine when Teleglobe could be in a Potential Default situation, assess impact on Teleglobe's ability to create liens and determine when a waiver from banks would be required.

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3. Alternatives

- To secure the balance of BCE 2002 investments, BCE could either:
  - Purchase an undivided interest in Teleglobe's receivables for an amount of up to US$500 million (Credit Facilities limit – s. 8.19 – no sale of assets restrictions in Indentures – other than all or substantially all); or
  - Obtain a lien on Teleglobe's accounts receivable (expressly permitted under CDN Indentures (Permitted Encumbrance) and Credit Facilities (s. 8.13(g)). While US Indenture do not so expressly permit, such accounts receivable could be first transferred to a subsidiary that is not a Significant Subsidiary and there would be no restrictions on the ability of such subsidiary to create liens (s. 1009); or
  - Subject to obtaining a waiver from the banks, obtain liens on inventory previously transferred to subsidiaries that would not be deemed to be Significant Subsidiaries under US Indenture (s. 1009 of US Indenture and specifically permitted under CDN Indenture (Permitted Encumbrance)). If deemed in the normal course of business, BCE could also purchase Teleglobe's inventory without the banks approval (s. 8.19(c) – not prohibited under Indentures).

Sell assets of 100 to Bell Canada

Sale/Leaseback part of Lit. Limitation

- Teleglobe could also enter into sale/leaseback transactions to reduce BCE's required 2002 investments (not prohibited by CDN Indentures, to the extent not all or substantially all of the assets), subject to the following:
  - US Indenture: if sale/leaseback transaction is effected by an entity that is not a Significant Subsidiary, then no restriction (relevant assets could be transferred to such entity prior to transaction). If the sale/leaseback transaction is effected by Teleglobe or a Significant Subsidiary, then it can be entered into only to the extent:
    - Teleglobe would at such time be entitled to incur debt, in a principal amount equal to the Attributable Debt with respect to such sale/leaseback transaction, secured by a permitted lien;
    - Teleglobe would have purchased property during the relevant period (6 months prior and 6 months after transaction) for an amount equivalent to the proceeds of the transaction;
    - Proceeds of the transaction would be used to reduce debt (within 12 months of transaction) (s. 1010);
    - Sale/leaseback transactions by Teleglobe or a Significant Subsidiary would have the effect of reducing the lien basket for an amount equal to the Attributable Debt (s. 1009(12)).

$100M

Secure $100M

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- Credit Facilities: If no Default or Potential Default exist, Teleglobe Is entitled to sell assets the aggregate book value of which would not exceed 10% of Teleglobe's consolidated assets determined as of the date of the date of the Current Financials (s. 8.19(i)).

4. General

- In order to comply with the Transactions with Affiliates covenant of the Credit Facilities (s. 8.14), all of the above transactions would be structured upon fair and reasonable terms not materially less favourable than Teleglobe could obtain in an arm's length transaction.

- Upon the rollover of the Credit Facilities, and if necessary, BCE could grant a limited recourse guarantee to the banks in the form of a security interest in any of the liens granted above.

REDACTED

EXHIBIT 1B

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MEMO

RESTRICTED AND CONFIDENTIAL

Ildo Ricciuto
Assistant General Counsel, Compliance

To: S. Vanaselja
M. Turcotte
M.J. Ryan
M. Boychuk
P. Lessard
✓ M. Lalande

Date: April 9, 2002

Re: BCE Inc. and Teleglobe Inc. Annual Reports

You will find attached, for your review and comments, the relevant extracts of the BCE Inc. Annual Report and the Teleglobe Inc. Financial Information which have recently been modified. The changes have been blacklined for your convenience.

As indicated in my previous e-mail, I would propose to discuss your comments at a meeting to be held tomorrow, April 10, 2002, at 9:30 a.m.

Please feel free to call me should you have any questions with respect to the foregoing.

IR/hd

Encl.

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R:\Ildo Ricciuto\Memo to S. Vanaselja, M. Turcotte & al re BCE Annual Report and TGO Financial Information.doc

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TELEGLOBE U.S. AR – ENGLISH

Proof No. 1

April 4, 2002 – 17.00 p.m.

Current Blacklined Version

CHANGES ONLY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of financial condition and results of operations (MD&A) for the year 2001 focuses on the results of operations and financial situation of Teleglobe Inc. (the Corporation), its subsidiaries and its investments in significantly influenced companies, and should be read in conjunction with the audited consolidated financial statements contained on pages 10 to 34.

The Corporation now operates principally in one business segment, namely BCE Teleglobe. Prior period figures have been reclassified to conform to the current year presentation. BCE Teleglobe is a global communications and e-business group of companies providing a broad range of international and domestic communication services including voice, Internet connectivity, high-speed data transmission, hosting, broadband, broadcast and other value-added services on a wholesale and retail basis. For segmented reporting purposes, the Corporation presents results in another business segment, namely Other. Included in Other is the Teleglobe Marine group, which includes primarily the participation of the Corporation in the ownership of five cable ships and two submersible vehicles. Also included in Other are unallocated corporate head office activities and discontinued operations.

This MD&A is based on the consolidated financial statements prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America (U.S. GAAP). The Corporation also presents and prepares an MD&A based on the consolidated financial statements prepared in accordance with GAAP in Canada. These differ materially from the financial statements prepared in accordance with U.S. GAAP. The Corporation uses the U.S. dollar for reporting and measurement purposes, and as a result, all amounts are presented in U.S. dollars unless otherwise indicated.

Certain sections of this MD&A contain forward-looking statements with respect to the Corporation. These forward-looking statements represent the Corporation's expectations and intentions as of February 27, 2002 and, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations are discussed on pages 6 to 8 under "Forward-Looking Statements". The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information or otherwise.

The Corporation's comparative consolidated financial data for each of the eight most recently completed quarters is presented on page 36 of this Financial Information.

HIGHLIGHTS

GlobeSystem network deployment

In 2001, BCE Teleglobe continued the deployment of the GlobeSystem network, a globally integrated Internet, data, video and voice network. During the year, BCE Teleglobe revised its build out strategy, reducing the budgeted cost of the GlobeSystem network from $5 billion to $2.1 billion, extending through 2002, mainly to take advantage of price reductions and available capacity. Compared to December 31, 2000, fiber capacity (measured in lambda route miles) increased by 74 thousand miles to reach 80 thousand miles at December 31, 2001.

Restructuring and other charges

BCE Teleglobe incurred a pre-tax charge of $126 million in 2001, representing restructuring and other charges related to the closing of certain facilities and network costs as well as employee severance and other related employee costs, for approximately 450 employees, or approximately 20% of its workforce, which resulted primarily from a decision to restructure portions of its business due to changing international market conditions, as well as a write-off of certain assets. The restructuring plan was substantially completed by December 31, 2001 and is expected to generate annual savings of approximately $50 million.

Disposal of Excel Communications Group (Excel)

On August 26, 2001, the Corporation and certain of its subsidiaries entered into definitive agreements for the sale of Excel's North American operations to an affiliate of VarTec Telecom, Inc. (VarTec). Excel's U.K. operations, which are not part of the transaction, were shut down during the year. Consequently, the results of Excel have been reported as discontinued operations. The gross proceeds, estimated at approximately $250 million, will be based on Excel's actual 2001 financial results and will be paid in the form of unsecured five-year interest-bearing promissory notes. The sale is subject to regulatory and other approvals and is expected to be completed by the end of the first quarter of 2002.

Reorganization of ORBCOMM Global, L.P. (ORBCOMM)

On November 15, 2001, the U.S. Bankruptcy Court for the District of Delaware confirmed the consensual liquidating plan of reorganization of ORBCOMM, which became effective on December 31, 2001. On such date, the Corporation and its affiliates were released of all claims related to ORBCOMM and its affiliates' businesses. On April 23, 2001, the Court had approved the sale to ORBCOMM LLC (a consortium consisting of certain international licensees and other business partners of ORBCOMM) of substantially all the assets of ORBCOMM and its subsidiaries. The consideration paid at closing and distributed to Teleglobe Holding Corp. (THC), a subsidiary of the Corporation, consisted of $500,000 in cash and $6.75 million in promissory notes issued by ORBCOMM LLC and secured by the assets of ORBCOMM transferred to ORBCOMM LLC. On December 27, 2001, THC and ORBCOMM LLC entered into an agreement pursuant to which, amongst other things, all notes now mature on October 23, 2002 and THC was paid an amendment fee and granted a four-year warrant to purchase a 3% interest in ORBCOMM LLC together with registration rights and a put to ORBCOMM LLC for the equity acquired upon exercise of the warrant.

Reorganization of Look Communications Inc. (Look)

On August 16, 2001, the Corporation and Telesystem Ltd., as guarantors, paid the debt owed by Look under its credit facilities, and were subrogated in the rights of the banks as secured creditors. The Corporation's share of such payment was CDN$45.9 million. As part of the arrangements between the parties entered into on August 9, 2001, the Corporation and Telesystem Ltd. agreed that, for a period of two years, neither they nor any of their affiliates would grant any further financial assistance to Look nor acquire any interest in or assets of Look. The Corporation and Telesystem Ltd. further agreed to vote, or refrain from voting, their shares in Look in accordance with the recommendation of Look's management. On September 4, 2001, Look announced that it had voluntarily sought and obtained protection under the Companies' Creditors Arrangement Act (Canada). On December 14, 2001, Look's creditors approved its Plan of Compromise and Arrangement, which was subsequently approved by the Court and implemented on February 11, 2002. Upon implementation of the Plan and pursuant to the terms thereof, the Corporation released Look of

BCE-SUP 127097

• a higher amortization expense of $203 million resulting from the push-down of BCE Inc.'s goodwill relating to the Corporation and from the capital expenditures incurred relating to the GlobeSystem network deployment.

Discontinued operations

Excel provided retail telecommunications services such as long distance, paging and Internet services to residential and business customers in North America and the U.K. The planned disposal of Excel resulted in an estimated net loss of $165 million, which includes a discount provision on the notes receivable, closure costs of the U.K. operations, transaction costs, estimated operating losses up to the expected date of disposal and related items. The results of operations of Excel also include an impairment charge of $1,284 million recorded in the first quarter of 2001 after completion of an assessment of the carrying value of BCE Inc.'s investment in Excel. The assets of Excel were written down to their estimated values, which were determined using the present value of net future cash flows to be generated by these assets. The primary factor contributing to the impairment was a lower than expected operating profit due to a reduction in Excel's forecasted minute volumes and average revenue per minute that were expected to continue in the foreseeable future.

In August 2000, the Corporation's Board of Directors approved a plan of disposition of its investment in ORBCOMM, which operated a satellite-based data communication system, and classified this investment as a discontinued operation. In 2000, the Corporation's results reflect losses from discontinued operations, net of tax, of $255 million on a year-to-date basis consisting of losses from discontinued operations of $77 million and a write-off of the investment of $178 million.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

The increase in consolidated cash flows used in operating activities was mainly attributable to higher requirements of working capital, partially offset by lower cash operating losses resulting from an improvement in EBITDA (refer to discussion under "Results of Operations").

Investing activities

The increase in consolidated cash flows used in investing activities was mainly due to a higher level of capital expenditures. The Corporation incurred $1,420 million of capital expenditures in 2001 ($629 million in 2000) mainly related to the build up of BCE Teleglobe's GlobeSystem network. BCE Teleglobe has invested approximately $1.8 billion to date and anticipates investing an additional $300 million over the next year to complete the GlobeSystem network.

Investments provided only $1 million of cash in 2001, compared to a requirement of $106 million in 2000, mainly for ORBCOMM and to a lesser extent for several other projects.

Financing activities

In 2001, the Corporation issued subordinated non-interest bearing notes payable to BCE Inc. in the amount of $860 million, which were converted into fourth series preferred shares prior to December 31, 2001. The Corporation also issued separately $40 million of fourth series preferred shares to BCE Inc. in 2001. The foregoing investments fully satisfied the conditional financial commitment provided by BCE Inc. to the lenders concurrently with the extension of the credit facilities referred to below. In addition to the foregoing, BCE Inc. made additional advances amounting to approximately $238 million in December 2001.

The Corporation's net borrowings from bank overdrafts and short-term credit facilities increased by $418 million in 2001. Effective July 23, 2001, the maturity date of the Corporation and one of its subsidiaries' $1.25 billion revolving credit facilities was extended by an additional 364 days to July 22, 2002 under substantially similar terms and conditions. In addition, the available amount under credit facilities was increased by $25 million to $1.275 billion. At December 31, 2001, the Corporation had utilized $1.155 billion of its $1.275 billion of available funds from these credit facilities.

Given that the Corporation's credit facilities are currently fully drawn and that the Corporation is currently generating negative operating cash flows ($39 million in 2001), it relies on BCE Inc. to provide it additional funding in order to meet its obligations although BCE Inc. is not obligated to provide such funding. The Corporation's obligations consist of capital expenditures (including, but not limited to, approximately $300 million in 2002 to complete the GlobeSystem network) and the financing of negative operating cash flows which are expected to be material. BCE Inc. has indicated its intention to contribute up to an additional CDN $1.2 billion to support the Corporation's working capital and debt service requirements over the next twelve months on the basis that such support meets the Corporation's requirements under its current business plan. However, BCE Inc. is not obligated to provide such funding and any funding decisions by BCE Inc. will be based on the facts and circumstances prevailing at the the relevant time. The Corporation's management currently expects that it will be able to renegotiate the extension of the credit facilities that mature in July 2002 (for more details, refer to discussion below under "Risk Factors – Liquidity, indebtedness and dependence on additional funding from BCE Inc.").

The Corporation redeemed all of its third series preferred shares in the second quarter of 2001 at a price of CDN$126 million ($81 million).

The total net borrowings and issuance of preferred shares were used to fund capital expenditure requirements and negative operating cash flows.

Dividends amounted to $3 million in 2001 compared to $23 million last year, reflecting the decision taken by the Corporation's Board of Directors in May 2000 to cease paying dividends on the common shares. The $3 million paid out in 2001 was to third series preferred shareholders only.

2 Discontinued Operations

For the year ended December 31 (US$ millions)	2001	2000	Change
Excel	(1,463)	(183)	(1,280)
ORBCOMM	–	(255)	255
Total loss from discontinued operations	(1,463)	(438)	(1,025)

3 Liquidity and Capital Resources

For the year ended December 31 (US$ millions)	2001	2000	Change
Cash flows used in operating activities	(39)	(10)	(29)
Cash flows used in investing activities	(1,407)	(756)	(651)
Cash flows from financing activities	1,465	731	734

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Long-lived assets to be disposed of by other than a sale for cash are to be accounted for and reported like assets being held or used except the impairment loss is recognized at the time of the disposition. Long-lived assets to be disposed of by sale are to be recorded at the lower of their carrying amount or estimated fair value (less costs to sell) at the time the plan of disposition has been approved and committed to by the appropriate company management. In addition, depreciation is to cease at the same time. The Corporation's management does not expect the adoption of this standard to have a significant impact on its future consolidated financial results.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A and in other sections of this Financial Information constitute forward-looking statements. In addition, other written or oral statements which constitute forward-looking statements may be made from time to time by or on behalf of one or more of the Corporation, its subsidiaries and its investments in significantly influenced companies (collectively the Teleglobe Inc. group). These forward-looking statements relate to the future financial condition, results of operations or business of the Teleglobe Inc. group. These statements may be based on current expectations and estimates about the markets in which the Teleglobe Inc. group operates and management's beliefs and assumptions regarding these markets. In some cases forward-looking statements may be identified by words such as "anticipate", "could", "expect", "seek", "may", "intend", "will", and similar expressions. These statements are subject to important risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in the forward-looking statements contained in this MD&A and in such other written or oral statements that may subsequently be made may differ materially from actual results or events. Some of the factors that could cause results or events to differ materially from current expectations are discussed below under the heading "Risk Factors" and other risk factors are outlined elsewhere in this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In particular, forward-looking statements do not reflect the potential impact of any mergers, acquisitions, other business combinations or divestitures that may be announced or completed after such statements are made.

Risk factors

LIQUIDITY, INDEBTEDNESS AND DEPENDENCE ON ADDITIONAL FINANCING FROM BCE INC.

At December 31, 2001, the Teleglobe Inc. group had outstanding indebtedness of approximately $2.7 billion, including approximately $1.3 billion due within one year, requiring annual debt service payments of approximately $135 million at current interest and exchange rates. The Teleglobe Inc. group does not have sufficient funds available from its cash flow to meet these obligations, to make necessary capital expenditures (including, but not limited to, the GlobeSystem network) and pay other operating expenses. The Teleglobe Inc. group's high level of indebtedness has the effect of limiting its ability to obtain additional financing on a stand-alone basis. In addition, on January 29, 2002, Moody's Investors Services announced that it had lowered the rating of the Corporation's debt from Baa1 to Baa3 and left the rating under review for further downgrade with a significant possibility that the Corporation's debt could be rated below investment grade. Any further downgrade of the Corporation's debt, and in particular, any downgrade below investment grade, would substantially increase the Teleglobe Inc. group's financing costs as well as significantly limit its ability to obtain additional financing on a stand-alone basis. The Teleglobe Inc. group currently relies on BCE Inc. to provide funding in order to meet its obligations although BCE Inc. is not obligated to provide such funding. In 2000 and 2001, BCE Inc. provided funding of approximately $100 million and $1.1 billion, respectively, to the Teleglobe Inc. group. It is expected that the Teleglobe Inc. group will require approximately CDN $1.2 billion to fund its business plan in 2002. A decision by BCE Inc. not to continue to provide funding to the Teleglobe Inc. group at any time in the future, absent appropriate funding being available from other sources, would have a material adverse effect on the Teleglobe Inc. group's results of operations and financial condition and would result in the Teleglobe Inc. group being unable to meet its financial obligations, which would require the Teleglobe Inc. group to assess its alternatives, including refinancing, renegotiating or restructuring its debt, selling assets, making further revisions to its business plan or seeking other options available under applicable law, and could result in any of the Teleglobe Inc. group's creditors declaring amounts outstanding under the Teleglobe Inc. group's financial instruments to be immediately due and payable. Furthermore, in order to raise additional funding or renew or extend current debt instruments, the Teleglobe Inc. group may have to issue or re-issue equity or debt instruments that have rights senior to those of current stakeholders. The Corporation's $1.275 billion revolving credit facilities (which are currently fully drawn) mature on July 22, 2002. There are no assurances that the Corporation will be able to either renew or replace its credit facilities upon their maturity or find alternative sources of financing.

COMPETITION

All parts of the Teleglobe Inc. group's businesses are facing vigorous and intensifying competition from competitors with substantial financial, marketing, personnel and technological resources. Factors such as product pricing and customer service are under continued pressure while the necessity to reduce costs, manage expenses and generate productivity is ongoing. Intensifying competition may impact the Teleglobe Inc. group's ability to retain existing, and attract new, customers as well as affect revenues and network capacity. The Teleglobe Inc. group must not only try to anticipate, but must also respond promptly to, continuous and rapid developments in its businesses and markets. In addition, the significant size, growth and increasing global scope of the telecommunications industry are attracting new entrants and encouraging participants to expand their services and their markets. Mergers and acquisitions, as well as restructuring, alliances and joint ventures are creating new or larger participants with broad skills and significant resources that will further impact the competitive landscape. Current and future competitors are coming not just from within North America, but also globally, and include not only major telecommunications companies, but also cable companies, Internet companies and other companies that offer network services, such as providers of business information systems and systems integrators, as well as an increasing number of other companies that deal with or have access to customers through various communications networks. Many of these companies are significant in size and resources and have a significant market presence with brand recognition and existing customer relationships. Furthermore, new competitors may emerge from time to time through the development of new technologies, products and services, and other factors. In addition, a number of the Teleglobe Inc. group competitors have recently filed for bankruptcy or are restructuring their debt, which may result in their assets being purchased or otherwise operated by companies with a significantly less leveraged capital structure than that of the Corporation.

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PARENT COMPANY

BCE Inc. and its affiliates own all of the outstanding common shares of the Corporation and, subject only to applicable law and the terms of the Teleglobe Inc. group's financial instruments, has the power to exercise control over and to manage the affairs and operations of the Teleglobe Inc. group. Through other affiliates, BCE Inc. owns telecommunication assets which can be used to compete with the Teleglobe Inc. group and the interests of any such affiliates may be in conflict with those of the Teleglobe Inc. group.

ECONOMIC AND MARKET CONDITIONS

The future operating results of the Teleglobe Inc. group may be affected by various trends and factors that must be managed in order to achieve favourable operating results. In addition, there are trends and factors beyond the Teleglobe Inc. group's control that affect its operations. Such trends and factors include adverse changes in the conditions in the specific markets for the Teleglobe Inc. group's products and services, the conditions in the broader market for communications and the conditions in the global economy generally. More specifically, the financial performance of the Teleglobe Inc. group is affected by the general economic conditions as demand for services and the amount of use tend to decline when economic growth and retail activity decline. Recently, the slowdown in global economic activity, including in the United States and Canada, has made the overall economic environment more uncertain and could, depending on the duration and extent of such slowdown and on the pace of an eventual economic recovery, have an important adverse impact on the demand for products and services and on the financial performance of the Teleglobe Inc. group. Such negative trends in global market and economic conditions could have an adverse effect on purchasing patterns of customers especially in the case of products and services provided by the Teleglobe Inc. group that are more subject to being affected by economic slowdowns. These negative trends could also adversely affect the financial condition and credit risk of customers that would, in turn, increase uncertainties regarding the Teleglobe Inc. group's ability to collect receivables. However, it is not possible for the Teleglobe Inc. group to accurately predict economic fluctuations and the impact of such fluctuations on its performance.

EXPENDITURES, CAPITAL AND DEMAND FOR SERVICES

The financial condition and results of operations of the Teleglobe Inc. group could be materially affected by a number of factors such as: the level of capital expenditures necessary to expand operations, increase the number of customers, introduce new products and services, update or build networks and maintain or improve the quality of products and services; the availability and cost of capital required to fund such expenditures (especially in light of the current market conditions in the telecommunications industry); and the extent of demand for access lines, value-added services, basic long distance services, Internet services and other new and emerging products and services in the markets served by the Teleglobe Inc. group as well as its ability to develop a customer base with recurring service revenues. Demand levels for the Teleglobe Inc. group's products and services are also affected by factors such as technology development and innovation, socio-demographic trends, levels of business investment and general macro-economic conditions. Changes in any of these factors could significantly affect the level of demand for the Teleglobe Inc. group's products and services. The level of capital expenditures could materially increase if the Teleglobe Inc. group seeks to expand the scope and scale of its businesses beyond traditional territories and service offerings. To the extent that the Teleglobe Inc. group fails to make the necessary and appropriate expenditures on new and existing capital programs, it may cease to be competitive in the markets in which it competes and/or may risk incurring substantial capital expenditures to acquire assets with little commercial or economic value.

TECHNOLOGY

The telecommunications industry is impacted by rapid technological changes, evolving industry standards, changing client needs and frequent new product and service introductions. Technological developments are also shortening product life cycles and facilitating convergence of different segments of the increasingly global information industry. Advances in fiber optic technology have resulted in significant per circuit price declines in the fiber optic cable transmission industry. The Teleglobe Inc. group's future success will depend in significant part on its ability to anticipate industry standards, successfully introduce new technologies, initiatives, products and services and upgrade current products and services, and to comply with emerging industry standards. Furthermore, as the Teleglobe Inc. group seeks to deploy new products, services and technologies and update its networks to remain competitive, it may be exposed to incremental financial risks associated with newer technologies that are subject to accelerated obsolescence or that may affect its level of earnings by shortening the useful life of some of its assets. In addition, technological advances may further reduce the costs of new plant and equipment thereby further diminishing or eliminating barriers to market entry for potential competitors. There can be no assurance that such technologies will be developed according to anticipated schedules, that they will perform according to expectations or that they will achieve commercial acceptance. The Teleglobe Inc. group may be required to make additional capital expenditures if suppliers fail to meet anticipated schedules, if a technology's performance falls short of expectations, or if commercial success is not achieved. Furthermore, the introduction of new products or services employing new technologies could render existing products or services unmarketable.

UNCERTAINTIES RELATED TO THE INTERNET

An increasingly important driver for network and infrastructure investments is the growth of Internet traffic. This traffic is driven by residential and business Internet usage and has overtaken the volume of voice telephony traffic on many routes. It is uncertain to what extent this traffic will continue to exhibit high growth rates as high-speed access services are deployed and bandwidth intensive applications, such as video, are increasingly adopted by users. Significant upgrades to network capacity will be required to sustain service levels if Internet growth rates remain high as they are today. Alternatively, the Teleglobe Inc. group's financial condition and results of operations could be materially adversely affected should future levels of Internet traffic be lower than currently anticipated. In addition, new or modified laws or regulations governing the Internet could decrease the demand for the Teleglobe Inc. group Internet services and increase the costs of selling such services.

DEFECTS IN SOFTWARE PRODUCTS AND NETWORK FAILURES

Defects in software products owned or licensed by the Teleglobe Inc. group, as well as failures or mistakes in the provision of services, could materially harm the business of the Teleglobe Inc. group, including customer relationships and operating results. The operations of the Teleglobe Inc. group are dependent upon its ability to protect its network and equipment

Significant

16. COMMITMENTS AND CONTINGENCIES (continued)

that may need to be addressed by the parties at such time. As the parties did not agree upon such revised terms and conditions, the Bell Interconnection Agreement, as amended, was extended and will terminate on December 31, 2002, subject to the rights of the parties to terminate such agreement on three months notice;

- effective June 1, 2000, Bell Canada and Bell Nexxia have agreed, subject to certain exceptions, to route all of their respective Canadian originating international direct distance dialed (IDDD) and operator handled telephone traffic (other than traffic terminating in the United States) to the Corporation at certain prescribed rates; and
- effective June 1, 2000, the Corporation has agreed to route all of its foreign originating IDDD and operator handled telephone traffic (other than traffic originating from the United States) terminating in all provinces of Canada other than British Columbia and Alberta to Bell Canada and Bell Nexxia at certain prescribed rates.

In addition, in 2001, BCE Teleglobe entered into a Master Wholesale Pricing and Services Coordinating Agreement with Bell Canada and Bell Nexxia pursuant to which BCE Teleglobe agreed not to market or sell any telecommunication services to customers in Canada and to procure all of its telecommunication services in Canada from Bell Canada and Bell Nexxia. Pursuant to the agreement, Bell Canada and Bell Nexxia agreed to exclusively procure all of their voice, IPL and IP Transit service requirements outside of Canada from BCE Teleglobe, and to give BCE Teleglobe a right of first refusal to provide Bell Canada and Bell Nexxia other telecommunication service requirements other than the aforementioned services. In addition, BCE Teleglobe, Bell Canada and Bell Nexxia agreed to cooperate and collaborate on their requirements to purchase and/or construct cross border facilities and certain network facilities. The agreement is for a five-year term with one-year automatic renewals unless either party provides the other with a six-month notice of termination.

Litigation

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2001 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's consolidated financial position or results of operations.

Economic dependence

Given that the Corporation's credit facilities are currently fully drawn and that the Corporation is currently generating negative operating cash flows ($39 million in 2001), it relied on BCE Inc. to provide it additional funding in order to meet its obligations although BCE Inc. is not obligated to provide such funding. The Corporation's obligations consist of capital expenditures (including, but not limited to, approximately $300 million in 2002 to complete the GlobeSystem network) and the financing of negative operating cash flows which are expected to be ~~material~~. BCE Inc. has indicated its intention to contribute up to an additional CDN $1.2 billion to support the Corporation's working capital and debt service requirements over the next twelve months on the basis that such support meets the Corporation's requirements under its current business plan. However, BCE Inc. is not obligated to provide such funding and any funding decisions by BCE Inc. will be based on the facts and circumstances prevailing at the relevant time. A decision by BCE Inc. not to continue to provide funding to the Corporation at any time, absent appropriate funding being available from other sources, would have a material adverse effect on the Corporation's results of operations and financial condition. In addition, the Corporation's management currently expects that it will be able to renegotiate the extension of the credit facilities that mature in July 2002. However, there are no assurances that the Corporation will be able to either renew or replace its credit facilities upon their maturity or find alternative sources of financing.

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[17. Subsequent Event]

TBD.